

American Recovery and Reinvestment Act (ARRA)

Details on Medicaid Funding Increase:

- Increase Federal Medicaid Assistance Percentage (FMAP) from 60.08% to 66.28%
- Provides additional 11.5, 8.5 and 5.5 percent increase based on change in unemployment rate
- Maintenance of Effort (MOE) prevents states from changing Medicaid eligibility (increasing or decreasing)
- Extends regulatory moratorium for several provisions: Targeted Case Management (TCM), provider taxes, school based administration and transportation services through 6/30/09
- Adds moratorium on hospital outpatient services regulation through 6/30/09
- Transitional Medical Assistance (TMA) through 12/31/2010

Health Information Technology (HIT): \$19 Billion (Total)

- \$2 billion in competitive grants for funding for HIT Infrastructure
- Medicare and Medicaid incentives for providers to use HIT electronic health records (\$17 billion)
- Requires federal government to take a leadership role to develop interoperability standards by 2010 to allow for HIE
- Strengthens federal privacy and security law to protect from health information misuse
- State of Kansas well positioned for federal funding given work of the Governor's Cost Containment Commission, the Kansas HIE Commission, the Health Information Security and Privacy Collaboration, and the E-health Advisory Council -- Kansas "Roadmap" recommendations:
 - Create public-private coordinating entity: *E-health Advisory Council*
 - Provide stakeholder education: *Kansas Health Online*
 - Leverage existing resources: *KHPA has two ongoing Health Information Exchange (HIE) pilots: Sedgwick County (Medicaid managed care); KC Metro Area (state employees)*
 - Demonstrate impact of HIE and foster incremental change: *HIE pilots; challenges re: interoperability.*



Governor's Budget Recommendations INCLUDING Federal Stimulus Funding (through ARRA)

Medicaid: Increase of approximately 300 million in SFY 2009 and SFY 2010 combined due to increase in FMAP as projected in the 2/27/09 GBA

	SFY 2009	SFY 2010
KHPA	48.5 M	100.9 M
Aging	21.1 M	36.8 M
SRS	35.6 M	61.1 M
TOTAL	102.8 M*	199.7 M*

- Exact amounts may vary, depending on Kansas unemployment rate *with JJA
- Distribution of funds among agencies depends on caseload requirements

KHPA FY 2010 Budget:

■ Governor's KHPA Recommendation: \$1.9 billion All Funds; \$414.0 million SGF
 ■ Governor's Recommendation for administration is \$82.6 million All Funds; \$22.3 million SGF

- **12.3% reduction in administrative spending**
- **\$1.2 million reduction in salary and wage expenditures requiring 35 positions must be held vacant-- or more than 10% of our workforce**
- **\$5.5 million in contract reductions**

Selected Budget Reduction Items in Governor's Budget FY 2010

	SGF	All Funds
Reduce Contractual Service Expenditures	\$1,321,175	\$5,525,000
Reduce Salary and Wage expenditures	\$440,430	\$1,246,706
Administrative reductions in travel, printing, supplies, communications, equipment replacement	\$53,642	\$359,100
Switch Health Care Access Improvement Fee Fund for State General Fund		
Switch Medical Programs Fee Fund for State General Fund	\$5,700,000	
Delete Children's Initiative Fund for immunizations		\$500,000
Medical Assistance program recommendations and Transformation savings.	\$9,500,000	\$23,900,000
18 month time limit for Medikan Enrollment	\$6,700,000	\$6,700,000

■ Governor's budget does not recommend eliminating programs for beneficiaries or reducing provider reimbursement, however, it reduces Medicaid caseload estimate by \$32.6 million All Funds; 17.1 million SGF consistent with Medicaid Transformation (see next page).

■ Governor's budget adds \$1.2 million to fund the authorized SCHIP expansion

Agency Impact:

To meet salary and contract budget recommendations, we will need to reduce or eliminate a variety of current agency functions:

Proposed Reductions

	SGF	All Funds
Reduce capacity to collect and summarize health professional workforce data ▶ Lack information to guide healthcare workforce policy decisions which impact access to care especially in rural areas	\$20,000	\$58,000
Cancel implementation of the Medicaid Transformation efficiency actions ▶ Loss of \$16.2 million in cost savings	\$270,150	\$2,235,000
Reduce Presumptive Medical Disability processing capacity ▶ Slowed enrollment and decreased services for disabled applicants	\$620,500	\$1,241,000
Reduce Clearinghouse capacity for Medicaid and SCHIP eligibility ▶ Intensify developing backlog of applications	\$19,316	\$43,900
Eliminate community outreach activities ▶ Reduction in citizen feedback and input to improve health	\$26,766	\$79,262
Terminate development of the Kansas proposal to secure competitive HIT stimulus funds ▶ Loss of opportunity to significantly expand HIT due to lack of staff support and expertise	\$82,060	\$241,976
Reduce constituent and legislative research activities ▶ Slower and less expansive responsiveness	\$43,524	\$131,890
Terminate the Community Health Record project ▶ Reduced resources for safety net providers to provide efficient, safe care	\$110,000	\$250,000
Terminate the Medicaid Enhanced Care Management project ▶ Loss of chronic care management capacity for disabled and elderly in Sedgwick county	\$372,000	\$744,000
Total for all proposals	\$1,564,316	\$5,025,028

Medicaid Transformation Process: In addition to these reductions submitted in the budget, KHPA was asked to suggest additional ways of reducing Medicaid expenditures. KHPA has engaged in the process of reorganizing and refocusing the agency to expand capacity for data analysis and management, and to adopt data-driven processes in the management of our programs. The Medicaid Transformation and program reviews identified several administrative changes and efficiencies that could be implemented in the Medicaid program without reducing the number of people served. Recommendations from the Medicaid Transformation process, coupled with additional administrative savings and efficiencies in pharmacy requested by the Governor are included in the table below.

The Governor's budget did include many of the KHPA Medicaid Transformation recommendations as well as two proposed program changes aimed at meeting our reduced resource budget targets for FY 2010.

	FY 2010	
	SGF	All Funds
Medicaid Savings in FY 2010 (Governor's Recommendation); excludes Fee Fund proposals		
Time Limit Median to 18 months with additional employment supports; reduced resource item	6,700,000	6,700,000
Pharmacy Changes: Cost reimbursement for physician office administered drugs; Improve cost avoidance and third party liability in pharmacy claims; Accelerate review of generic drug price limits ; other administrative savings	\$4,400,000	\$11,000,000
Ensure Medicare pays its share of hospital charges for beneficiaries with dual eligibility; other administrative savings	\$4,000,000	\$10,000,000
Home Health Reforms; Medicaid Transformation recommendation	\$200,000	\$500,000
Durable Medical Equipment pricing reforms; Medicaid Transformation recommendation	\$160,000	\$400,000
Transportation Brokerage; Medicaid Transformation recommendation	\$200,000	\$500,000
Tighten payment rules for Hospice Services; Medicaid Transformation recommendation	\$300,000	\$750,000
Automate and expand pharmacy prior authorization; Medicaid Transformation recommendation	\$300,000	\$750,000
Total	\$ 16,260,000	\$30,600,000